

NORTH FRANKLIN WATER WORKS, INCORPORATED
CROWVILLE, LOUISIANA

FINANCIAL STATEMENTS
AND
ACCOUNTANT'S REPORT

YEAR ENDED DECEMBER 31, 2014

NORTH FRANKLIN WATER WORKS, INC.
CROWVILLE, LOUISIANA
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Franklin Water Works, Inc.
Crowville, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of North Franklin Water Works, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Franklin Water Works, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

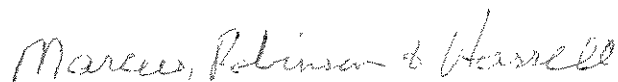
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits, and other payments to agency head or chief executive officer is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2015, on our consideration of North Franklin Water Works, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Franklin Water Works, Inc.'s internal control over financial reporting and compliance.



MARCUS, ROBINSON & HASSELL, CPAs
Winnsboro, Louisiana
May 11, 2015

NORTH FRANKLIN WATER WORKS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014

<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	<u>2014</u>
Cash and Cash Equivalents (Notes 1 & 3)	636,069
Restricted Cash and Cash Equivalents (Notes 1, 3 & 8)	162,759
Accounts Receivable (Note 9)	95,216
Less: Allowance for Uncollectible Accounts	<u>(4,761)</u>
<u>TOTAL CURRENT ASSETS</u>	<u>889,283</u>
<u>FIXED ASSETS (Notes 1 & 4)</u>	
Land and Land Rights	106,963
Production and Distribution System	4,725,649
Vehicles	181,177
Office Equipment	58,815
Transportable Equipment	131,880
Building and Improvement	<u>91,629</u>
	5,296,113
Less: Accumulated Depreciation	<u>(3,226,642)</u>
<u>TOTAL FIXED ASSETS</u>	<u>2,069,471</u>
<u>TOTAL ASSETS</u>	<u>2,958,754</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable and Accrued Expenses	33,622
Interest Payable	11,280
Customer Deposits	53,855
Current Portion of Mortgage Payable (Note 5)	<u>84,799</u>
<u>TOTAL CURRENT LIABILITIES</u>	<u>183,556</u>
<u>LONG-TERM LIABILITIES</u>	
Mortgage Payable (Note 5)	<u>1,851,340</u>
<u>TOTAL LIABILITIES</u>	<u>2,034,896</u>
<u>NET ASSETS</u>	
<u>Unrestricted Net Assets</u>	
Operations	(1,308,372)
Fixed Assets	2,069,471
<u>Temporarily Restricted Net Assets</u>	<u>162,759</u>
<u>TOTAL NET ASSETS</u>	<u>923,858</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>2,958,754</u>

See Notes to Financial Statements.

NORTH FRANKLIN WATER WORKS, INC.
STATEMENTS OF ACTIVITIES
DECEMBER 31, 2014

<u>REVENUES</u>	2014
Water Sales	965,151
Membership Fees	1,300
Reconnection Fees	12,490
Other Operating Revenues	41,577
Interest Income	4,055
Grant Income	470,153
Collection Fees	6,000
Miscellaneous	4,447
<u>TOTAL REVENUES</u>	<u>1,505,173</u>
<u>EXPENSES</u>	
Casual Labor	21,655
Depreciation	47,836
Employee Benefits	51,915
Insurance	25,800
Interest	58,981
Legal, Accounting and Professional Fees	5,200
Miscellaneous	20,508
Postage	9,260
Repairs & Maintenance	36,175
Retirement	8,426
Salaries - Maintenance	144,537
Salaries - Office	146,058
Supplies	149,879
Taxes - Payroll	25,204
Telephone	2,150
Utilities	77,285
Vehicle Expense	36,244
<u>TOTAL EXPENSES</u>	<u>867,113</u>
<u>CHANGES IN NET ASSETS</u>	638,060
<u>NET ASSETS AS OF BEGINNING OF YEAR</u>	<u>285,798</u>
<u>NET ASSETS AS OF END OF YEAR</u>	<u><u>923,858</u></u>

See Notes to Financial Statements.

NORTH FRANKLIN WATER WORKS, INC.
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2014

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2014</u>
Cash Received from Operations	1,002,267
Cash Received from Interest and Other Income	14,502
Cash Received from Grants	470,153
Cash Received from Customer Deposits	531
Cash Disbursed for Operations	<u>(808,392)</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	679,061
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchase of Fixed Assets	<u>(1,534,315)</u>
<u>NET CASH USED BY INVESTING ACTIVITIES</u>	(1,534,315)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
Proceeds from Loans	1,097,023
Payments on Mortgage Payable	<u>(51,603)</u>
<u>NET CASH USED BY FINANCING ACTIVITIES</u>	<u>1,045,420</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	190,166
<u>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</u>	<u>608,662</u>
<u>CASH AND CASH EQUIVALENTS, END OF YEAR</u>	<u><u>798,828</u></u>

See Notes to Financial Statements.

NORTH FRANKLIN WATER WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

North Franklin Water Works, Inc. is a nonprofit organization domiciled in Crowville, Louisiana, and organized under the provisions of Louisiana Revised Statutes 12:201-269. The corporation is governed by a five-member board of directors who are members of the corporation and are elected by members of the corporation. On May 5, 1970, the Franklin Parish Police Jury, in accordance with Louisiana Revised Statute 33:4361, granted the corporation a franchise to provide water to members residing within the territorial boundaries of the corporation, which are defined by the aforementioned franchise.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Non-for-Profit Organizations*. Under SFAS No. 117, the corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements are reported on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Bad Debts

Uncollectible accounts receivable are estimated at 5%. The allowance is adjusted annually against earnings.

Fixed Assets

Fixed assets of the corporation are recorded at actual cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over estimated useful lives of 10-25 years for the water production and distribution systems, 40 years for the building and 5-15 years for equipment.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, interest bearing demand deposits, and time deposits. Under state law, the Company must deposit funds in demand deposits, interest bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

NORTH FRANKLIN WATER WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 - CASH FLOW INFORMATION

Supplemental disclosures of cash flow information:

Cash Paid During the Year for:

Interest	48,803
Income Taxes	0

Supplemental Schedule of Noncash Investing and Financing Activities:

There were no noncash investing and financing activities for the year.

Disclosure of Accounting Policy:

For the purposes of the statement of cash flows, the company considers demand deposits, interest bearing demand deposits and time deposits to be cash and cash equivalents.

NOTE 3 - CASH

Cash is classified into three categories to give an indication of the level of risk assumed at year-end. Category 1 includes investments insured or registered or securities which are held by the corporation or its agent in the corporation's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the bank or agent in the corporation's name. Category 3 includes uninsured and unregistered investments with the securities held by the bank or agent but not in the corporation's name. The carrying amount of the corporation's deposits with the financial institutions was \$961,148 and the book balance was \$798,528. The carrying balance is categorized as follows:

	<u>Category</u>		
	<u>1</u>	<u>2</u>	<u>3</u>
Cash	500,000	0	321,895

North Franklin Water Works, Inc. is undercollateralized by \$139,253 at Franklin State Bank.

NOTE 4 - FIXED ASSETS

Land and Land Rights	106,963
Production and Distribution System	4,725,649
Vehicles	181,177
Office Equipment	58,815
Transportable Equipment	131,880
Building and Improvements	<u>91,629</u>
	5,296,113
Accumulated Depreciation	<u>(3,226,642)</u>
	<u>2,069,471</u>

Depreciation expense for the year totaled \$47,836.

NORTH FRANKLIN WATER WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 5 - LONG-TERM DEBT

Note payable to Commercial Capital Bank. The interest rate on this note is 2.75%. The loan is secured by a certificate of deposit at the bank. The maturity date of the loan is the same as the maturity date of the pledged certificate of deposit.

15,799

Mortgage payable to Farmer's Home Administration, due in monthly installments of \$6,306 which includes interest of 5.25%. The loan is secured by promissory notes and a pledge of revenues from the sale of water.

823,317

Mortgage payable to Louisiana DHH, due in annual installments based on a percentage of outstanding principle. The percentages are set forth in the agreement. Interest of 2.95% is due semi-annually. The loan is secured by a pledge of revenues from the sale of water.

1,097,023

1,936,139

Less: Current Portion

84,799

1,851,340

Interest expense for the year was \$58,981.

Maturities of long-term debt for each of the succeeding five years is as follows:

2015	84,799
2016	72,765
2017	77,419
2018	83,163
2019	89,000
Thereafter	<u>1,528,993</u>
	<u>1,936,139</u>

The maturities of long-term debt are calculated using the current loan amount on the mortgage payable to Louisiana DHH of \$1,097,023. The loan is approved for up to \$3,750,000.

NOTE 6 - LITIGATION AND CLAIMS

At December 31, 2014, the company was not involved in any litigation nor aware of any unasserted claims.

NOTE 7 - INCOME TAX STATUS

North Franklin Water Works, Inc. is recognized as a nonprofit organization under Sec. 501(c)(12) by the Internal Revenue Service. As such, it is exempt from federal income tax. The Company's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

NORTH FRANKLIN WATER WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 8 - RESERVED RETAINED EARNINGS

The loan agreement with Farmer's Home Administration for the long-term loans require the corporation to establish the following reserve accounts:

FmHA "Reserve Account" - The corporation must transfer \$660 each month until it has accumulated \$79,056. When necessary and with prior approval from Farmer's Home Administration, funds may be used for making payments on the note, paying the cost of repairing or replacing any damage to the facility caused by catastrophe or making extensions or improvements to the facility. Monthly deposits must be resumed until the required amount is again accumulated.

Amount in restricted cash at December 31, 2014 was \$79,056. Reserve requirements at December 31, 2014 were \$79,056. Thus, the corporation has put aside enough in restricted cash.

2013 Debt Service Fund - The establishment and maintenance of a separately identifiable fund or account designated as the "2013 Debt Service Fund" (the "Debt Service Fund"), sufficient in amount to pay promptly and fully the principal of and the interest on the Note, as they severally become due and payable, by transferring from funds in the Revenue Fund, after making the payments required above, to the Debt Service Fund monthly on or before the 20th day of each month of each year, a sum equal to 1/6th of the interest and Administrative Fee falling due on the Bonds on the next Interest Payment Date and a sum equal to 1/12th of the principal falling due on the Bonds on any principal payment date that occurs within the next ensuing twelve months, together with such additional proportionate monthly sum as may be required to pay said principal, interest and Administrative Fee as the same become due. The Company shall transfer from said Debt Service Fund to the Department, on or before each Interest Payment Date, funds fully sufficient to pay promptly the principal, interest and Administrative Fee falling due on such date with respect to the Note.

2013 Debt Service Reserve Fund - The establishment and maintenance of a separately identifiable fund or account designated as the "2013 Debt Service Reserve Fund" (the "Reserve Fund"), the money in the Reserve Fund to be retained solely for the purpose of paying the principal of and interest on Note payable from the Debt Service Fund as to which there would otherwise be default, by transferring from the Reserve Fund (after making all required payments from said fund as hereinabove described), monthly or annually, such amounts as will increase the total amount on deposit in the Reserve Fund within a period not exceeding five (5) years from the Delivery Date to the sum of Nine Thousand Dollars (\$9,000).

2013 Capital Additions and Contingencies Fund - The maintenance of a separately identifiable fund or account designated "2013 Capital Additions and Contingencies Fund" (the "Contingencies Fund"), to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, by transferring from funds in the Revenue Fund after making the payments required by the Debt Service Fund and Debt Service Reserve Fund to the Contingencies Fund monthly on or before the 20th day of each month of each year, a sum equal to five percent (5%) of the gross Revenues of the System for the preceding month, provided that such sum is available after provision is made for the payments required under paragraphs "2013 Debt Service Fund" and "2013 Debt Service Reserve Fund" above. Such payments into the Contingencies Fund shall continue until such time as

NORTH FRANKLIN WATER WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 8 - RESERVED RETAINED EARNINGS, Continued

there has been accumulated in the Contingencies Fund the sum of Thirty-Five Thousand Dollars (\$35,000), whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit in said fund is reduced below the sum of Thirty-Five Thousand Dollars (\$35,000), in which event such payments shall be resumed and continue until said maximum amount is again accumulated. In addition to caring for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingencies Fund may also be used to pay the principal of and the interest on the Note for the payment of which there is not sufficient money in the Debt Service Fund and Reserve Fund described above, but the money in said Contingencies Fund shall never be used for the making of improvements and extensions to the System or for payment of principal or interest on Note if the use of said money will leave in said Contingencies Fund for the making of emergency repairs or replacements less than the sum of Five Thousand Dollars (\$5,000).

Amount in restricted cash at December 31, 2014 was \$83,703. Reserve requirements at December 31, 2014 were \$83,703. Thus the corporation has put aside enough in restricted cash.

NOTE 9 - ACCOUNTS RECEIVABLE

Accounts receivable consist of customer balances. The aging of accounts receivable at December 31 is as follows:

Current	67,727
30 Days and Over	<u>27,489</u>
TOTAL	<u>95,216</u>

NOTE 10 - RETIREMENT PLAN

North Franklin Water Works, Inc.'s employees are covered under a Simple IRA retirement plan. Under the plan, North Franklin Water Works, Inc. is required to match up to 3% of the employee's salary. This is a match of the salary deferral elected by the employee. The company's match for 2014 was \$8,426.

NOTE 11 - OTHER USDA INFORMATION

- A. The North Franklin Water Works, Inc. has a fidelity bond in place for \$50,000.
- B. The North Franklin Water Works, Inc. has 76 commercial users and 2,426 residential users.
- C. Water rates are as follows:
 - 1. Residential rates are \$17.50 for 2,000 gallons and \$3.25 per 1,000 gallons after the first 2,000 gallons.
 - 2. Commercial rates are \$42.00 for 20,000 gallons and \$3.25 per 1,000 gallons after the first 20,000 gallons.

NORTH FRANKLIN WATER WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 11- OTHER USDA INFORMATION, Continued

D. The governing board with expiration of terms is as follows:

Devone Goodman	Term Expires 2016
Dwain Tharpe	Term Expires 2017
Henry Till	Term Expires 2017
Ken Free	Term Expires 2016
Miller Watson	Term Expires 2015

NOTE 12 - VACATION AND SICK LEAVE

ANNUAL LEAVE (VACATION)

Only those employees who are classified as a "regular" employee shall be eligible for vacation leave with pay. Annual leave is for the purposes of rest and recreation, or for personal business. Normally, vacation leave with pay will not be taken until after the first anniversary of employment date of the employee.

Each full-time employee shall be given vacation time at the rate of:

One (1) week per year for less than three years of continuous employment.
Two (2) weeks per year with three or more years of employment.

An employee must take a minimum of one week's vacation except under abnormal circumstances beyond his control. The minimum vacation an employee may take under any circumstances will be one day.

All vacations must be scheduled in advance with the system operator. All requests must be submitted in writing and approved by the board of directors.

SICK LEAVE

Sick leave is a paid leave of absence granted to regular full-time employees who cannot perform their job duties because they are ill, injured, or receiving medical or dental treatment. An employee may be excused from work without loss of pay due to: 1) Personal illness; 2) Dental appointments; or 3) Serious illness in the employee's immediate family. Immediate family includes spouse, children, parents, siblings, grandchildren, mother-in-law, and father-in-law.

Ten days sick leave is granted per year. This time is non-accrual. When an illness prevents you from working, you must notify the system operator prior to your official starting time in order to reassign work duties of the employee. A written request must be submitted on the first day of return to work. Absences due to personal illness or required medical attention may result in certification of illness from a physician.

NORTH FRANKLIN WATER WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 12 - VACATION AND SICK LEAVE, Continued

Failure to report absences within the prescribed time period, failure to justify an absence, or failure to present the required medical certification may result in the absence being charged to annual leave, leave without pay or unauthorized leave, and may result in disciplinary action or termination.

Three days of urgent personal leave time is permitted yearly. Time is non-accrual. Notification to the system operator must be made prior to the absence of the employee. A written request must be made on the first day of the employee's return to work.

If special needs should occur, final decisions will be rendered by the board of directors of North Franklin Water Works, Inc.

NOTE 13 - RELATED PARTY TRANSACTIONS

There were no related party transactions that came to our attention.

NOTE 14 - SUBSEQUENT EVENTS

The Attorney has evaluated subsequent events through the date that the financial statements were available to be issued, May 15, 2015, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

MARCUS, ROBINSON and HASSELL

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INDEPENDENT AUDITOR'S
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
North Franklin Water Works, Inc.
Crowville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Franklin Water Works, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Franklin Water Works, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Franklin Water Works, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of North Franklin Water Works, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant

deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies (Item #2014-01) in internal control, described in the accompanying schedule of findings and questioned costs (Item #2014-01) that we consider to be significant deficiencies.

Compliance and Other Matters

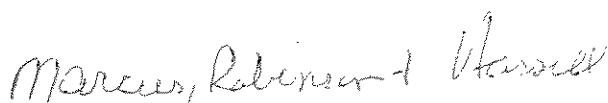
As part of obtaining reasonable assurance about whether North Franklin Water Works, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2014-01.

North Franklin Water Works, Inc.'s Response to Findings

North Franklin Water Works, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. North Franklin Water Works's Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



MARCUS, ROBINSON & HASSELL, CPAs

Winnsboro, Louisiana

May 11, 2015

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
North Franklin Water Works, Inc.
Crowville, LA 71230

Report on Compliance for Each Major Federal Program

We have audited North Franklin Water Works, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of North Franklin Water Works, Inc.'s major federal programs for the year ended December 31, 2014. North Franklin Water Works, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North Franklin Water Works Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Franklin Water Works, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of North Franklin Water Works, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, North Franklin Water Works Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

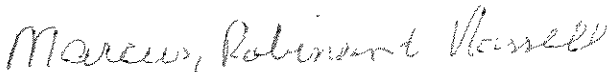
Report on Internal Control Over Compliance

Management of North Franklin Water Works Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Franklin Water Works Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Franklin Water Works Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARCUS, ROBINSON & HASSELL, CPAs
Winnsboro, Louisiana
May 11, 2015

NORTH FRANKLIN WATER WORKS, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE DIRECTOR
DECEMBER 31, 2014

AGENCY HEAD: Marion Collier

<u>PURPOSE</u>	<u>AMOUNT</u>
Salary	64,711
Benefits - Insurance	6,769
Benefits - Retirement	1,893
Benefits - Other	0
Car Allowance	9,000
Vehicle Provided by Entity	0
Per Diem	0
Reimbursements	0
Travel	0
Registration Fees	0
Conference Travel	0
Continuing Professional Education Fees	0
Housing	0
Unvouchered Expenses	0
Special Meals	0
	<hr/>
	<u>82,373</u>

See Notes to Financial Statements.

NORTH FRANKLIN WATER WORKS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2014

SCHEDULE II

<u>Federal Grantor/Pass-Through Grantor/ Program Name</u>	<u>CFDA NUMBER</u>	<u>EXPENDITURES</u>
<u>Environmental Protection Agency</u> Passed through the State of Louisiana DHH Capitalization Grants for Drinking Water State Revolving Fund	66.468	<u>1,567,176</u> <u>1,567,176</u>

See Notes to Financial Statements.

NORTH FRANKLIN WATER WORKS, INC.
CROWVILLE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

We have audited the accompanying financial statements and each major fund of North Franklin Water Works, Inc. as of and for the year ended December 31, 2014, which collectively comprise the North Franklin Water Works, Inc.'s basic financial statements and have issued our report thereon dated May 11, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2014, resulted in an unmodified opinion.

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses yes xno Significant Deficiency xyes none reported

Compliance

Compliance Material to Financial Statements xyes none reported

B. Federal Awards

Internal Control

Material Weaknesses yes xno Significant Deficiency yes xnone reported

Type of Opinion on Compliance
For Major Programs

Unmodified x Modified
Disclaimer Adverse

Are their findings required to be reported in accordance with Circular A-133, Section .5109(a)?

No

C. Identification of Major Programs

CFDA 66.468 Capitalization Grants for Drinking Water State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B Programs \$300,000

Is the auditee a "low-risk" auditee as defined by OMB Circular 133 xyes no

NORTH FRANKLIN WATER WORKS, INC.
CROWVILLE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS:

Findings, Reference # and Title: 2014-01

UNDER-COLLATERIALIZED FUNDS

Condition:

The North Franklin Water Works, Inc. has under-collateralized funds in Franklin State Bank.

Recommendation:

Our recommendation is for the bookkeeper to review the pledged securities reports and compare them with funds on deposit at each bank. This should be done on a monthly basis.

Management's Response and
Planned Corrective Action:

We concur with the finding. We will follow the Auditor's recommendation.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

NORTH FRANKLIN WATER WORKS, INC.
CROWVILLE, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

SECTION I - Internal Control and Compliance Material to the Financial Statements

FINDINGS

RESPONSE

Not applicable.

SECTION II - Findings and Questioned Costs - Major Federal Awards

Not applicable.

SECTION III - Management Letter

None issued.